

# FDIC State Profile

Winter 2004

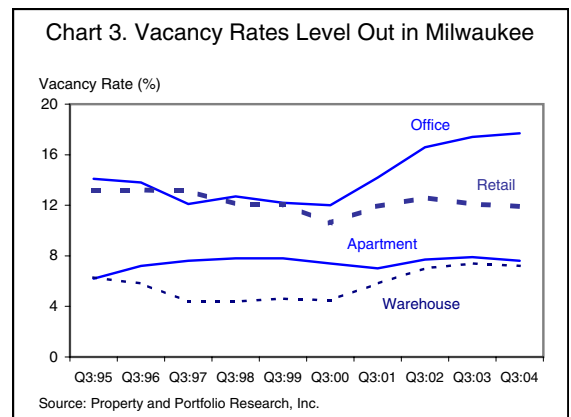
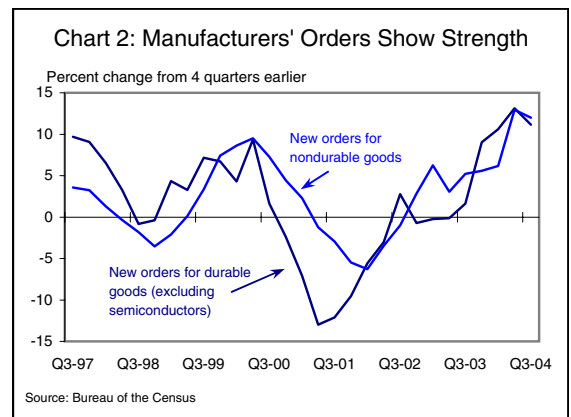
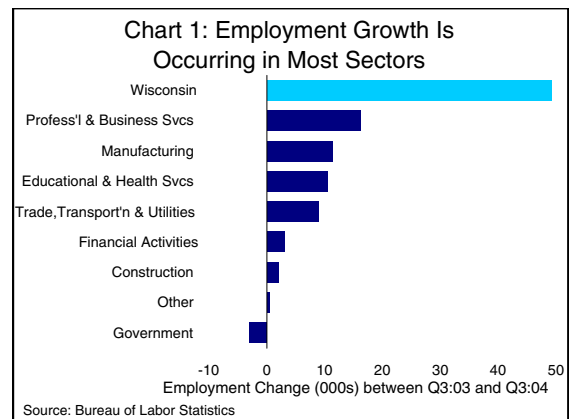
## Wisconsin

### Wisconsin's economic expansion strengthens.

- Job growth in Wisconsin accelerated to 1.8 percent in the year ending third quarter 2004, the fastest pace since the first half of 2000. Recent gains were fairly broad-based among private-sector industries (See Chart 1).
- Wisconsin was one of eight states posting growth of manufacturing employment in excess of 1 percent in the year ending third quarter. The sustained growth in orders received by manufacturers nationwide recently bodes well for further gains in Wisconsin's manufacturing output and employment (See Chart 2).
- Nevertheless, conditions vary within the manufacturing sector. For example, General Motors plans to halt vehicle production at its Janesville plant for four weeks in first quarter 2005. In contrast, a yacht maker in Oconto County resumed hiring after several lean years, and upgrades at a shipbuilding firm in Door County should generate several hundred jobs in the next few years. Meanwhile, a four-year defense contract will help sustain payrolls at an **Oshkosh** truck producer that rebuilds trucks and trailers for the military.
- Reflecting sustained economic growth in the state as well as nationwide, demand for paper and containerboard products is expanding. Shipping volume at Wisconsin ports is rising. In addition, residential construction and rehab projects are sustaining demand for such Wisconsin products as windows and doors.

### Commercial vacancy rates stabilize in Milwaukee.

- Across most property types, vacancy rates and rents in the **Milwaukee** area are reported to be stabilizing or improving modestly (See Chart 3). Although local employment growth accelerated recently, the relatively high inventory of space available for lease may persist for some time and limit a rebound in rents or sharp improvement in vacancy rates. Net demand for new space remains lackluster, and relocations within southeastern Wisconsin account for much of recent leasing activity.



## State Profile

**Return on assets (ROA) of community institutions remained well above 1 percent.**

- Net income (ROA) of Wisconsin's community banks and thrifts changed little in the quarter ending September 30, 2004 (See Table 1).<sup>1</sup> Recent trends of declining noninterest income and lower provision expenses again played a role in shaping profits.
- Falling provision expenses may continue into 2005, as loan performance improved noticeably in recent quarters. In the quarter ending September 30, the net charge-off rate among community institutions was almost half that reported for the third quarter of the last two years, while the past-due rate of 1.8 percent was 50 basis points lower than a year earlier.
- Loan growth accelerated to nearly 10 percent in the past year and was dominated by loans secured by real estate (See Chart 4). Roughly, one-third of the increase in loans outstanding consisted of residential mortgages and home equity loans. Another third of the gain was loans secured by nonresidential real estate, while one-fourth was associated with construction and development loans.

**Structural changes in the Wisconsin banking market mirror developments elsewhere.**

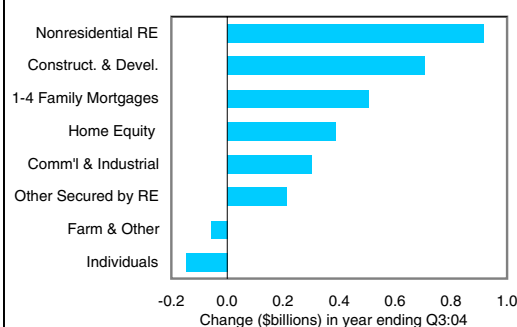
- At mid-year 2004, Wisconsin was home to 309 head offices of insured banks and thrifts, one less than a year earlier and 172 fewer than a decade ago. Branch offices, in contrast, increased to 1,945 at mid-year 2004, which is 55 more than one year earlier and 483 more than in 1994. During the past decade, branch growth in Wisconsin outpaced the nation. However, on a proportional basis, the number of institutions chartered in the state trailed the nation. (See Chart 5).
- Out-of-state institutions fueled growth in Wisconsin branch offices. In some cases, the state lost head offices because out-of-state firms bought or merged with Wisconsin-chartered banks and thrifts. In addition, some national banks and thrifts targeted Wisconsin's customer base and opened branch facilities. At mid-year 2004, 16 percent of branches in Wisconsin and 24 percent of deposits were associated with banks and thrifts with out-of-state charters. This situation contrasts with conditions a decade earlier, when no out-of-state institutions were active in Wisconsin.

**Table 1: Net Income of Wisconsin's Community Institutions Changed Little Over Past Year**

Income statement contribution (as a percentage of average assets)			
	3 months ended Sep 30		Percentage Point Change
	2003	2004	
Net Interest Income	3.59	3.64	0.05
Noninterest Income	1.09	0.72	-0.37
Noninterest Expense	-2.78	-2.65	0.13
Provision Expense	-0.25	-0.13	0.12
Security Gains & Losses	0.04	0.01	-0.03
Income Taxes	-0.48	-0.42	0.06
Net Income (ROA)	1.21	1.17	-0.04

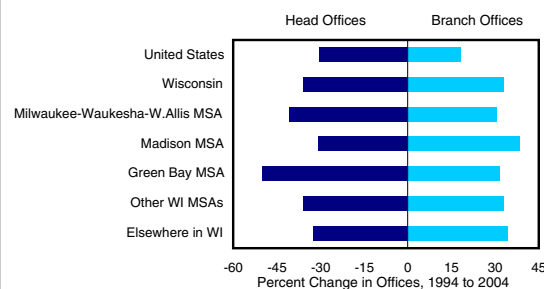
Source: FDIC

**Chart 4: Loan Growth Was Uneven by Type**



Note: RE denotes real estate. Source: FDIC, data for Wisconsin's community institutions.

**Chart 5: Bank and Thrift Branches Expanded in Wisconsin as the Number of Head Offices Declined**



Source: FDIC/OTS Summary of Deposits

<sup>1</sup>Community banks and thrifts are nonspecialty institutions with assets of \$1 billion or less that have been operating for three years or longer.

## Wisconsin at a Glance

<b>General Information</b>	<b>Sep-04</b>	<b>Sep-03</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>
Institutions (#)	309	311	316	324	355
Total Assets (in thousands)	115,067,130	106,768,791	102,077,709	101,604,984	96,207,363
New Institutions (# < 3 years)	2	7	10	14	10
New Institutions (# < 9 years)	26	28	31	32	27
<b>Capital</b>	<b>Sep-04</b>	<b>Sep-03</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>
Tier 1 Leverage (median)	9.84	9.53	9.44	9.24	9.06
<b>Asset Quality</b>	<b>Sep-04</b>	<b>Sep-03</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>
Past-Due and Nonaccrual (median %)	1.77%	2.10%	2.50%	2.22%	1.67%
Past-Due and Nonaccrual >= 5%	24	39	39	35	22
ALLL/Total Loans (median %)	1.23%	1.28%	1.23%	1.20%	1.20%
ALLL/Noncurrent Loans (median multiple)	1.68	1.38	1.27	1.50	2.24
Net Loan Losses/Loans (aggregate)	0.14%	0.21%	0.25%	0.22%	0.12%
<b>Earnings (Year-to-Date Annualized)</b>	<b>Sep-04</b>	<b>Sep-03</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>
Unprofitable Institutions (#)	5	8	13	13	13
Percent Unprofitable	1.62%	2.57%	4.11%	4.01%	3.66%
Return on Assets (median %)	1.11	1.22	1.24	1.06	1.01
25th Percentile	0.79	0.91	0.87	0.73	0.74
Net Interest Margin (median %)	3.95%	3.95%	4.14%	3.81%	3.92%
Yield on Earning Assets (median)	5.58%	5.93%	6.77%	7.90%	8.06%
Cost of Funding Earning Assets (median)	1.64%	1.99%	2.63%	4.08%	4.19%
Provisions to Avg. Assets (median)	0.10%	0.12%	0.12%	0.10%	0.10%
Noninterest Income to Avg. Assets (median)	0.60%	0.75%	0.60%	0.56%	0.52%
Overhead to Avg. Assets (median)	2.67%	2.72%	2.68%	2.64%	2.62%
<b>Liquidity/Sensitivity</b>	<b>Sep-04</b>	<b>Sep-03</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>
Loans to Deposits (median %)	87.10%	81.63%	85.32%	86.12%	88.03%
Loans to Assets (median %)	72.45%	69.57%	70.61%	71.22%	72.55%
Brokered Deposits (# of Institutions)	152	136	133	139	157
Bro. Deps./Assets (median for above inst.)	4.18%	3.32%	3.41%	2.63%	3.01%
Noncore Funding to Assets (median)	17.25%	15.10%	15.34%	15.23%	16.44%
Core Funding to Assets (median)	70.73%	72.52%	72.78%	73.19%	72.75%
<b>Bank Class</b>	<b>Sep-04</b>	<b>Sep-03</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>
State Nonmember	201	201	203	209	217
National	42	42	46	49	50
State Member	27	28	26	25	49
S&L	7	8	8	8	10
Savings Bank	17	17	17	14	9
Stock and Mutual SB	15	15	16	19	20
<b>MSA Distribution</b>	<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>	
No MSA	170	21,061,010	55.02%	18.30%	
Milwaukee-Waukesha WI PMSA	42	51,799,247	13.59%	45.02%	
Madison WI	22	9,272,817	7.12%	8.06%	
Appleton-Oshkosh-Neenah WI	12	3,367,911	3.88%	2.93%	
Wausau WI	10	1,732,754	3.24%	1.51%	
Minneapolis-St Paul MN-WI	8	1,196,686	2.59%	1.04%	
La Crosse WI-MN	8	4,513,129	2.59%	3.92%	
Janesville-Beloit WI	8	1,298,223	2.59%	1.13%	
Eau Claire WI	8	1,183,903	2.59%	1.03%	
Sheboygan WI	5	803,378	1.62%	0.70%	
Racine WI PMSA	5	3,543,101	1.62%	3.08%	
Green Bay WI	5	14,339,399	1.62%	12.46%	
Duluth-Superior MN-WI	4	508,002	1.29%	0.44%	
Kenosha WI PMSA	2	447,570	0.65%	0.39%	